

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC IMMEDIATE 1780

C O N F I D E N T I A L SECTION 1 OF 4 CARACAS 3009

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EXDIS

FOR ARA-MCNEIL AND S/S ONLY

E.O. 11652: GDS
TAGS: PEPR, VE, US
SUBJECT: SECOND PEREZ-CARTER BILATERAL, MARCH 29

1. FOLLOWING IS THE TRANSCRIPTION OF THE AMBASSADOR'S NOTES
ON THE SECOND PRESIDENTIAL BILATERAL ON MARCH 29. THIS IS AN UNCLEARED,

INFORMAL VERSION AND IS PROVIDED FYI ONLY:

2. NORTH/SOUTH. SAYING HE WOULD LIKE TO EXCHANGE IDEAS ON
NORTH/SOUTH CAP OBSERVED THAT PRESIDENT CARTER'S ADMINISTRA-
TION HAD GIVEN ANOTHER CAST TO THE DIALOGUE. RECALLING THAT
THE NATIONS WAITED FOR PRESIDENT CARTER TO TAKE OFFICE BEFORE
CONCLUDING THE CIEC TALKS, CAP NOTED THAT WHILE THE
TERMINATION OF CIEC WAS NOT ENTIRELY SATISFACTORY, NEVERTHELESS
NEW PERSPECTIVES OPENED UP ON SUCH ITEMS AS THE COMMON FUND
AND THE DEBT PROBLEM. EVEN THOUGH THE PROPOSALS AGREED UPON WERE
RELATIVELY MOEST, THE US HAD SHOWED UNDERSTANDING.

3. SINCE THAT TIME, HOWEVER, VIRTUALLY NOTHING HAS
HAPPENED. CAP SAID HE WOULD BE MEETING WITH EUROPEAN
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CHIEFS OF STATE IN JAMAICA IN JUNE. THEY WOULD TRY TO
MOVE THE "HARD HEART" OF GERMANY'S SCHMIDT. THE US
POSITION, HOWEVER, WOULD BE KEY AND HE WOULD LIKE TO HAVE
PRESIDENT CARTER'S EVALUATION OF THE SITUATION.

4. PRESIDENT CARTER SAID HE HAD OF COOURSE BEEN IN OFFICE
ONLY ONE YEAR. HE HAS NEVERTHELESS SEEN A COMMON DESIRE

ON PART OF BOTH THE NORTH AND SOUTH TO REACH GOALS WHICH WERE NOT INCOMPATIBLE AMONG THEMSELVES: COMMON FUND, COMMODITY PRICES, DEBT FORGIVENESS, INCREASED AID. BUT OUR MUTUAL DESIRES HAVE BEEN FRUSTRATED BY THE INABILITY OF THE DC'S TO NEGOTIATE WITH ANY SEMBLANCE OF ORDER OR MUTUAL UNDERSTANDING WITH 90 DIFFERENT NATIONS. EACH LEADER ACTED POLITICALLY FOR HIS AUDIENCE BACK HOME. ATTENTION FOCUSED ON THE MOST RADICAL DEMANDS OR PROPOSALS. NEWS MEDIA CONCENTRATED ON LEADERS WHO ABUSED USS THE MOST. PRESIDENT CARTER SAID HE HAD DISCUSSED THIS PROBLEM WITH MANELY. THERE WAS AN OBVIOUS NEED FOR A FORUM THAT COULD WORK IN A CALM AND OBJECTIVE ATMOSPHERE. THIS WAS THE CASE, FOR EXAMPLE, WITH THE COMMON FUND. WE WERE EAGER TO CONTRIBUTE. WE FELT THAT THERE WAS A MJOR RESPONSIBILITY ON THE SHOULDERS OF THOSE WHO BUY AND SELL COMMODITIES TO REACH AGREEMENTS ON THESE ISSUES. BUT THIS WAS ALMOST IMPOSSIBLE IN A LARGE GROUP OF OVER A HUNDRED NATIONS.

6. UNTIL A PROCEDURAL SYSTEM COULD BE SET UP TO PERMIT QUIET NEGOTIATIONS, DIFFERENCES WILL CONTINUE TO BE EMPHASIZED RATHER THAN COOPERATION. WE HAVE, HOWEVER, BEEN UNSUCCESSFUL SO FAR. PRESIDENT CARTER SAID HE WAS PREPARED TO USE HIS INFLUENCE WITH THE DC'S, AND EVEN THE USSR, TO PERSUADE THEM TO CONTRIBUTE TO SOLUTION OF ALL THESE PROBLEMS. WE FEEL FRUSTRATED, HOWEVER, BECAUSE
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OF THE DESIRE, WHICH WE RECOGNIZE IS LEGITIMATE, OF EVERYONE FOR A VOICE IN THE DELIBERATIONS.

7. PERHAPS, PRESIDENT CARTER SUGGESTED, THERE COULD BE TWO STAGES--A SMALLER COMMITTEE WHICH COULD DRAW UP THE GENERAL LINES OF A PROSAL AND THEN PRESENTATION TO A LARGER GROUP.

8. PEREZ GUERRERO, SPEAKING FOR CAP, NOTED THAT THEY SHARED PRESIDENT CARTER'S PERCEPTIONS, AND ESPECIALLY THOSE DESCRIBED IN HIS SPEECH TO THE VENEZUELAN CONGRESS. THE WORLD WAS INDEED IN CRISIS WHICH REQUIRED NUTUAL COOPERATION. YOU NEED US, HE SAID, AND WE CERTAINLY NEED YOU. HE DESCRIBED THE MOVE IN THE UN FOR ADEQUATE MACHINERY, AND THE VENTUAL DECISION TO MOVE TO THE COMMITTEE OF THE WHOLE. HE APPRECIATED THE NEED FOR SOME KIND OF TWO-STEP PROCEDURE AND THIS IS SOMETHING TO BE CONSIDERED.

9. PEREZ GUERRERO THEN NOTED THAT CAP'S REFERENCE TO SCHMIT'S "HARD HEART" SHOULD NOT BE TAKEN AS MEANING THAT WAS THE ONLY PROBLEM. WE HAVE THE IMPRESSION, HE

SAID, THATEVEN THE US AT TIMES WAS MORE INCLINED TO DEFEND THE STATUS QUO THAN CREATE NEW SOLUTIONS. THERE SEEMED TO BE AT TIMES THOSE WHO LOOKED TOPOVERTY AS THE PROBLEM RATHER THAN TO STRUCTURAL CHANGES. BUT WHILE POVERTY AND THE NEED FOR AID SHOULD BE ATTENDED TO, A CHANGE IN THE RULES OF THE GAME TO PERMIT NATIONS TO DEVELOP MORE EQUITABLY WAS ALSO IMPORTANT.

10. ATTENTION NECESSARILY FOCUSED ON THE US AND ON HOW IT HANDLED ECONOMIC AND FISCAL PROBLEMS. HOW WAS THE US HANDLING THE CRITICAL MONETARY PROBLEM, FOR EXAMPLE?

11. PRESIDENT CARTER SAID THAT WE HAD TO MOVE FROM CONFRONTATION TO NEGOTIATION WHEN THE US IS ATTACKED
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AND CONDEMNED IT IS NATURLA THAT DEFENSES WOULD BE MARSHALLED. ALL PRESIDENTS, INCLUDING NIXON AND FORD, WERE PREPARED TO COOPERATE MORE THAN THE CONGRESS. THE CONGRESS, VERY SENSITIVE TO THE MOOD OF PEOPLE, REACTED TO CONDEMNATIONS OF US. WHEN THEY HEARD SUCH ATTACKS, THEIR PERCEPTION WAS THAT AID WAS NOT ONLY NOT APPRECIATED BUT NOT WANTED. HENCE, THEY WERE UNWILLING TO AUTHORIZE SOME MAJOR MOVES THAT WERE NEEDED.

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C O N F I D E N T I A L SECTION 2 OF 4 CARACAS 3009

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FOR ARA-MCNEIL AND S/S ONLY

12. RESPONDING DIRECTLY TO THE QUESTION OF THE MONETARY CRISIS, PRESIDENT CARTER SAID THAT THE US HAS A SOUND AND STRONG ECONOMY WITH NO BASIC WEAKNESS. HE CITED GNP AND OTHER INDICATORS. WE HAVE DELIBERATELY TRIED, HE SAID, TO KEEP GROWTH HIGH. OPEC NATIONS, HE NOTED, HAD A POSITIVE TRADE BALANCE OF 40 BILLION DOLLARS. THIS HAD TO BE OBSORED BY THE REST OF THE WORLD. GERMANY AND JAPAN HAD POSITIVE BALNCES. OUR TRADE, HE NOTED, WAS NEGATIVE BY OVER 30 BILLION.

13. PRESIDENT CARTER NOTED SEVERAL FACTORS THAT SHOULD LEAD TO A STRENGTHENING OF THE DOLLAR. INTEREST RATES WOULD BE HIGHER THIS YEAR, LEADING TO GREATER INVESTMENT IN-FLOWS. THERE WOULD BE NO INCREASE IN OIL IMPORT LEVELS IN 78. LAST YEAR OUR ECONOMIC GROWTH AVERAGED THREE PERCENT HIGHER THAN OUR MAJOR TRADING PARTNERS. THIS YEAR THAT GAP WILL NARROW BECAUSE OTHER NATIONS' ECONOMIES ARE GROWING FASTER. WE ARE MORE AWARE OF THE NEED TO ACT TO STABILIZE THE DOLLAR IN TIMES OF MARKET DISORDER, AND WE HAVE WORKED OUT AGREEMENTS WITH GERMANY AND JAPAN IN THIS REGARD. HAD OIL PRICES BEEN PEGGED
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TO THE SDR DURING RECENT YEARS, PRESIDENT CARTER NOTED, IT WOULD HAVE LED TO A LOWER INCOME FOR THE OPEC NATIONS.

14. THE US WILL SEEK CONTINUED GROWTH; WE EXPECT TO BALANCE THE BUDGET BY 1980, BUT IT MAY NOT BE BALANCED BEFORE THAT. WE HOPE TO HAVE AN ENERGY BILL PASSED SHORTLY GIVING US AN OVERALL ENERGY POLICY FOR THE FIRST TIME.

15. WE HAVE CONFIDENCE IN THE STRENGTH OF THE US ECONOMY, CAP SAID. WHAT WORRIES US IS THAT THE NORTH/SOUTH DIALOGUE HAS STAGNATED. WE HAVE TLAKED ABOUT WAYS OF MOVING THE DIALOGUE FORWARD IN THE UN. THE G-77 HAS PRESSED FOR AN OPEN FORUM. NO DICEISIONS HAVE BEEN MADE TO CARRY OUT THE LIMITED AGREEMENTS OF CIEC. CONCERN OVER THE POOR IS UNDERSTOOD, BUT POVERTY IS A SYMPTOM NOT A CUASE. WE UNDERSTAND, CAP CONTINUED, THE US EFFORTS TO DECREASE CONSUMPTION OF OIL; IT IS DIFFICULT TO BECOME MORE AUSTERE. BUT CONCRETELY, CAP SAID, HOW DO WE PUT OUR MUTUAL IDEAS INTO PRACTICE? HOW DO WE MAKE PROGRESS ON SUCH ITEMS AS THE COMMON FUND OR DEBT?

16. PRESIDENT CARTER SAID THAT THE US FOR ITS PART OFTEN HAS THE IMPRESSION THAT THE G-77 WANTS ALL OR NOTHING. ITS DEMANDS OFTEN SEEM SO STRICT, ITS CONDEMNATION SO

SEVERE, THAT IT APPARENTLY DOES NOT UNDERSTAND THE
PRACTICAL LIMITATIONS THAT DO EXIST. WE WOULD WELCOME,
HE SAID, THROUGH UNDER SECRETARY COOPER OR THE FOREIGN
MINISTER OR SOME OTHER FORUM TO DESCRIBE WHAT WE HAVE
DONE, WHAT OUR PLANS ARE, WHAT OUR PRACTICAL PROBLEMS AND
LIMITATIONS ARE SO THAT MUTUAL UNDERSTANDING WILL BE
ENHANCED. WE ARE PREPARED, FOR EXAMPLE, TO MAKE VARIOUS
TYPES OF AID AVAILABLE SUCH AS FOOD. PERHAPS WE COULD
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WORK OUT A PLAN THAT THE DC'S COULD CARRY OUT SEQUENTIALLY.

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FOR ARA-MCNEIL AND S/S ONLY

17. CAP SAID THAT WE ARE IN A VICIOUS CYCLE. WHENEVER
THE LDC'S TALK OF COOPERATION, THE US TALKS OF AID. THE
US CONCEPT IS ANCHORED TO AID. THIS IS IMPORTANT, OF
COURSE, BUT MORE IMPORTANT IS TO COOPERATE ON
CHANGING RELATIONSHIPS, SO THAT COUNTRIES CAN OVERCOME
THE NEED FOR AID. CHARITY IS NOT THE ANSWER. COOPERATION
TO ESTABLISH BETTER RELATIONSHIPS ON MAJOR ECONOMIC
INTERACTIONS IS WHAT IS NEEDED. CAP CITED TRADE AS AN
EXAMPLE. WHILE ON THE ONE HAND THE US SPOKE OF LOANING
MONEY OR PROVIDING AID, PROTECTIONISM SEEMED TO BE
RISING IN THE US. INCREASED TRADE BARRIERS WILL ONLY

MAKE IMBLANCES AND POVERTY WORSE AND THE NEED FOR AID
GREATER.

18. PRESIDENT CARTER NOTED THAT THE US HAD TAKEN THE
LEAD IN THE MTN. NEGOTIATIONS WERE BEING PUSHED BY US.
LDC SUPPORT OF OUR EFFORTS TO LOWER TRADE BARRIERS WOULD BE
HELPFUL.

19. SECRETARY VANCE THEN REVIEWED THE VARIOUS ITEMS:
ON DEBT, HE NOTED THAT LIMITED PROGRESS HAD BEEN MADE AT
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THE RECENT UNCTAD MEETING; MORE COULD HAVE BEEN MADE HAD
THERE BEEN BETTER PREPARATION BY THE PARTICIPANTS. BUT
PROGRESS HERE WOULD DEPEND UPON WORKING OUT POSSIBLE
FORMULAE IN SMALLER GROUPS.

20. ON THE COMMON FUND, THE SECRETARY SAID, THE TROUBLE IS
THE "SECOND WINDOW." WE ARE FAIRLY CLOSE TOGETHER ON THE
"FIRST WINDOW." SOME WORK WAS DONE IN UNCTAD, BUT THE
NEXT STEP IS TO WORK ON THE SECOND WINDOW CONCEPT, SINCE
THIS WAS SYMBLOIC AS WELL AS SUBSTANTIVE. HERE AGAIN
PERHAPS A SMALLER GROUP COULD GET THINGS STARTED.

21. ON THE FINANCIAL SIDE, REPLENISHMENTS FOR THE IFI'S
WERE OF MAJOR IMPORTANCE. SUPPORT FOR THIS WOULD ASSIST
IN PERSUADING CONGRESS TO TAKE FAVORABLE ACTION ON THESE
REPLENISHMENTS. IN TRADE, THE KEY SECTOR WAS THE MTN.
LDC SUPPORT IN THIS WAS IMPORTANT. FINALLY, THERE SHOULD
BE SOME COOPERATION AND CONSIDERATION FOR REFINING THE
STRUCTURE OF THE OVERSIGHT COMMITTEE.

22. PRESIDENT CARTER SUGGESTED THAT UNDERSECRETARY COOPER
MIGHT MEET WITH A FEW OTHER NATIONS AT A STAFF LEVEL,
INCLUDING VENEZUELA AND PERHAPS JAMICA, FOR QUIET CONSUL-
TATIONS. AT THIS STAFF LEVEL ISSUES COULD BE DEFINED AND
ANALYZED FOR THE INFORMATION OF THE LEADERS.

23. CAP SAID THAT WAS A GOOD IDEA, BUT IT SHOULD BE DONE
WITH DISCRETION SO THAT OTHERS COULD NOT ACCUSE US OF
"RUNNING THINGS." IN THIS CONNECTION, CAP SAID, THE ROLE
OF ALGERIA IS IMPORTANT. DESPITE SOME OF THEIR EXTREME
PUBLIC STATEMENTS, ITS LEADERS WERE RESPONSIBLE AND
PRACTICAL.

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24. THE TWO PRESIDENTS AGREED THAT FURTHER DISCUSSIONS SHOULD BE HELD TO FLESH OUT THIS IDEA OF STAFF CONVERSATIONS.

25. II. OIL. CAP SAID THAT THE RECENT TALKS IN WASHINGTON BETWEEN SECRETARY SCHLESINGER AND MINISTER HERNANDEZ WERE USEFUL AND SIGNIFICANT. WE SHOULD NOW PUSH AHEAD ON CONCRETE COOPERATION. WE WERE WORRIED, CAP SAID, BECAUSE OUR PRODUCTIVE OIL CAPACITY IS DECLINING. PRODUCTION LIMITS WERE IN THE NEIGHBORHOOD OF 2.5 MILLION BPD. THUS, VENEZUELA'S CAPACITY TO HELP IN AN EMERGENCY, SUCH AS THE 1973 EMBARGO, WAS LIMITED, AND IT COULD NOT DO NOW WHAT IT DID THEN.

26. VENEZUELA HAS RESERVES, CAP WENT ON. THE TAR BELT WAS ONE OF THE WORLD'S LARGEST RESERVES OF NON-CONVENTIONAL OIL. THE NATION'S CAPACITY TO EXPAND EXPLORATION AND PRODUCTIVE CAPACITY IS LIMITED BECAUSE ITS ACCESS TO TECHNOLOGY AND CAPITAL IS LIMITED. CAP SAID HE HOPED THAT THE USG COULD COOPERATE IN HELPING VENEZUELA ADVANCE ITS PRODUCTIVE CAPACITY FOR THE FUTURE, SINCE SUCH CAPACITY WOULD BE STRATEGICALLY IMPORTANT TO THE US AS A SAFE SOURCE OF FUTURE HYDROCARBONS.

27. CAP EXPLAINED THAT THE JAPANESE HAD MADE A PROSAL TO INVEST A BILLION DOLLARS IN A PILOT PROJECT FOR DEVELOPING THE TAR BELT. THE GOV ACCEPTED. IT WOULD LIKE TO CONSIDER SIMILAR COOPERATION WITH EUROPEANS AND THE US. THIS MAY BE POSSIBLE WITH THE EUROPEANS. UNFORTUNATELY, THERE IS NO US STATE ENTITY, AND IT WAS POLITICALLY IMPOSSIBLE TO DEAL WITH THE PRIVATE COMPANIES.

28. ONE THOUGHT THAT HAS OCCURRED TO US, CAP SAID, WAS A POSSIBLE JOINT VENTURE WITH THE US AND CANADA. PETROCAN, AS A STATE ENTITY, COULD BE THE CHANNEL FOR FUNNELING TECHNOLOGY AND CAPITAL. US CAPITAL THROUGH PRIVATE

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COMPANIES COULD ASSOCIATE WITH PETROCAN. TRUDEAU, CAP SAID, WOULD BE WILLING TO COOPERATE.

29. VENEZUELA WAS ALSO WORRIED, CAP CONTINUED, ABOUT PLANS TO INCREASE DOMESTIC REFINING CAPACITY AND TO REDUCE IMPORTS OF REFINED PRODUCTS. (THIS REFERRED TO THE HASKELL AMENDMENT.) THIS WOULD PRESENT A SERIOUS PROBLEM TO VENEZUELAN EXPORTS OF RESIDUALS. THERE WAS ALSO CONCERN ABOUT IMPOSITION OF TARIFFS ON IMPORTS.

30. DIRECTOR OF FOREIGN TRADE FIGUERDEO, AT CAP'S

REQUEST, EXPLAINED A SITUATION IN WHICH THE US MAY HAVE VIOLATED THE US-VENEZUELAN COMMERCIAL AGREEMENT ON TARIFFS ON OIL. HE PROVIDED AN AIDE MEMOIRE ON THIS ITEM (THIS IS BEING REPORTED SEPTEL).

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C O N F I D E N T I A L SECTION 4 OR 4 CARACAS 3009

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FOR ARA/MCNEIL AND S/S ONLY

31. MINISTER HERNANDEZ ELABORATED ON CAP'S REMARKS AND COVERED THE SAME GROUND TO DEVELOP RESERVES AND OBTAIN TECHNOLOGY AND FINANCIAL HELP, BEARING IN MIND THE POLITICAL PROBLEM OF BEING UNABLE TO DEAL DIRECTLY WITH 5#3 5,:'S.

32. HERNANDEZ ALSO POINTED OUT THAT WHILE VENEZUELAN CRUDE MAKES UP ONLY ABOUT 10 PERCENT OF US CRUDE IMPORTS VENEZUELAN FUEL OIL MAKES UP ABOUT 40 PERCENT OF IMPORTS OF THAT PRODUCT. THEREFORE, VENEZUELAN RESIDUALS WERE IMPORTANT TO THE US. HE ASKED WHETHER IT WOULD NOTE BE POSSIBLE FOR THE USG TO PURCHASE FUEL OIL FOR ITS STRATEGIC RESERVE. HE ALSO ASKED: "CAN WE COUNT ON A STABLE MARKET?" HE SUGGESTED THAT SOME LONG-TERM ARRANGEMENTS MIGHT BE IN ORDER TO GUARANTEE A STABLE MARKET IN RETURN FOR A SECURE AND ASSURED SUPPLY, PERHAPS SOME SORT OF WESTERN HEMISPHERE PREFERENCE.

33. CAP SAID THAT THE DUTCH ANTILLES WOULD SOON BE INDEPENDENT. THERE ARE TWO REFINERIES ON THOSE ISLANDS,
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ONE OWNED BY EXXON, THE OTHER BY SHELL. THE GOV INTENDS TO "ASSOCIATE" ITSELF WITH THESE REFINERIES MAKING ARRANGEMENTS TO GUARANTEE CRUDE SUPPLIES. BECAUSE AN INDEPENDENT ATNTILLES WILL NEED THIS INDUSTRY, THIS COMPLEX WILL HAVE POLITICAL IMPORTANCE FOR THE CARIBBENA. THE US SHOULD THEREFORE CONSIDER GIVING SOME ASSURANCE OF A MARKET FOR THSE REFINERIES.

34. PRESIDENT CARTER SAID THAT US TECHNOLOGY AND INVESTMENT CAPITAL WERE IN THE HANDS OF PRIVATE COMPANIES, AND THEY WOULD HAVE TO BE DEALT WITH. NOR WERE WE COMPETING WITH OTHER COUNTRIES IN TIS SENSE. HE UNDERSTOOD VENEZUELA'S INTEREST IN A LONG-TERM ARRANGEMENT FOR MAKRETING ITS OIL AND WOULD TALK EARNESTLY TO SECRETARY SCHLESINGER ABOUT THIS. MEANWHILE, HE HOPED AN EXCHANGE OF TECHNICIANS MIGHT BE CONTINUED AND CARRIED OUT. (THE AMBASSADOR'S NOTES ARE INCOMPLETE ON PRESIDENT CARTER'S RESPONSE.)

35. III. LOS. CAP EXPRESSED HIS CONCERN ABOUT THE LOS CONFERENCE AND SPECIFICALLY THE PROSPECT THAT THE US WOULD ACT UNILATERALLY IN SEABED MINING. THIS WOULD OPEN PANDORA'S BOX AND OTHER NATIONS WOULD FEEL JUSTIFIED IN ACTING UNILATERALLY. THE SITUATION WOULD BE CHAOTIC.

36. PRESIDENT CARTER SAID HE WAS ALSO DEEPLY WORRIED. CONGRESS WAS HARD TO RESTRAIN. THERE IS A STRONG LIKELIHOOD OF LEGISLATION AUTHORIZING MINING OPERATIONS, AND VEN IF HE VEOTED IT, CONGRESS WOULD PROBABLY OVERRIDE. THERE IS TREMENDOUS INTEREST--AND CAPABILITY--IN MINING THE SEABEDS. WHILE HE WOULD DO THE BEST HE CAN, LEGISLATION IS A POSSIBLEITY. THIS WAS NOT A THREAT, BUT A REALISTIC EVALUTION.

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37. PRESIDENT CARTER WENT ON TO SAY THAT OUR DIFFERENCES ARE DEEP. IN PARTICULAR A CHANGE OF THE LOS CONFERENCE PRESIDENT BOTHERS US. THERE IS A GREAT INVESTMENT IN PROGRESS UP TO NOW. TO CHANGE THE LEADERSHIP WOULD DELAY THINGS A YEAR. PERHAPS MORE THAN IN ANY OTHER SUBJECT, THE ISSUES OF LOS HAVE BEEN AIRED AND INTENSELY DEBATED. HE HOPED, PRESIDENT CARTER SAID, THAT THERE WOULD BE FLEXIBILITY ON BOTH SIDES.

38. PRESIDENT CARTER SAID HE WANTED TO MAKE TWO POINTS;

(A) WE WILL TRY TO AVOID UNILATERAL ACTIONS ON SEABED MINING; (B) IF WE DO UNILATERALLY, H WOULD DO HIS BEST TO SEE THAT SUCH ACTION IS NOT PREJUDICIAL TO THE INTERESTS OF THE LDC'S.

39. PRESIDENT CARTER ENDED THE CONVERSATION BY SUGGESTING THAT IT MIGHT BE USEFUL TO HAVE QUIET BILATERAL TALKS AS EARLY AS NEXT WEEK AT A HIGH LEVEL ON LOS ISSUES TO DEFINE THEM AND EXPLORE SOLUTIONS. PRESIDENT PEREZ AGREED.
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